

## 6. Compensation Management

Compensation management refers to all forms of financial rewards received by employees. Employees of an organization use their overall efforts that need to be valued financially. Such financial values of contributions of employees to the organization are called compensation.

“According to Milkovich and Boudreau, Compensation refers to all forms of financial returns, tangible services, and benefits employee received as part of their employment relationship.  
According to Michael Armstrong, “Compensation management is essential about designing, implementing and maintaining pay system which helps to improve organizational performance.”

Compensation can be defined as the financial and non -financial rewards provided by an employer for the time, skills and the effort made available by the employee in fulfilling job requirements aimed at achieving organizational objectives.

### Objective of Compensation

The objective of the compensation function is to create a system of rewards that is equitable to the employer and employee alike. The desired outcome is that an employee is attracted to the work and motivated to do a good job for the employer. Compensation should be:

1. **Adequate:** Minimal governmental, union, and managerial levels should be met.
2. **Equitable:** Each person should be paid fairly, in line with his or her effort, abilities, and training.
3. **Balanced Pay:** Benefits, and other rewards should provide a reasonable total reward package.
4. **Cost-effective:** Pay should not be excessive, considering what the organization can afford to pay.
5. **Secure Pay:** Pay should be enough to help an employee feel secure and aid him or her in satisfying basic needs.
6. **Incentive:** Providing Pay should motivate effective and productive work.
7. **Acceptable to the Employee:** The employee should understand the pay system and feel it is a reasonable system for the enterprise and himself or herself.

### Importance of employee's compensation or reward system

- Compensation or reward system of the organization is most influencing factor for employee motivation.
- Employee compensation or reward system issues were the main reason in most cases of industrial disputes. Good compensation system helps in maintaining peace and harmony within the organization.
- Compensation system plays a key role in employee attrition.
- Compensation system mostly influences retention of employee in the organization.
- Most of employee satisfaction depends upon compensation a reward system of organization.
- Effective compensation system builds employer brand, which plays a key role in attracting talent.

- Effective compensation system makes employee to put his full efforts for achievement of organization's goals and objectives.
- Effective compensation system builds initiative towards work, which in turn enhances the productivity of organization.
- Effective compensation makes employees feel belongingness towards the organization.

*Generally, compensation payable to an employee includes the following three components :*

- *Basic compensation for the job. (wage/salary)*
- *Incentive compensation for the employee on job.*
- *Supplementary compensation paid to employees. (fringe benefit and employee services)*

## 6.1 Wages and Salary

Remuneration refers to the financial payment an employee receives in return for working for an employer. These payments can be made in the form of a wage or a salary. Remuneration is one factor in retaining productive and efficient employees who are loyal and display a high degree of commitment to their work. Paying employees appropriately is important because it affects productivity by increasing employee motivation, and lowering rates of absenteeism and staff turnover.

*The basic difference is between Remuneration, Wages, and salary:*

- **Remuneration** is monetary payment in return for the work an employee performs.
- **A wage** is an hourly or weekly rate of pay
- Employees who earn a **salary** are paid a fixed amount each year, which is then divided by 26 to give a fortnightly salary, or by 12 to give a monthly salary.

### Definitions

**“According to Alford and Beauty** "Wages are the aggregate earning of an employee for a given period of time such a day or week and are equal to the product of an hourly rate time the number of hour or the product of the piece rate time the number of pieces, plus any premium or bonuses earned."

**According to Benham** "Wages are a sum of money paid under contract by an employer to a worker for services rendered."

**According to ILO** "Wages refer to that payment which is made by the employers to the laborer for his services hired on the conditions of payment per hour, per day, per week or per fortnight."

**The Payment of Wages Act, 1936 Sec 2 (vi)** "wages" means all remuneration (whether by way of salary allowances or otherwise) expressed in terms of money or capable of being so expressed which would if the terms of employment express or implied were fulfilled by payable to a person employed in respect of his employment or of work done in such employment. It includes are

- Wages and Salary
- Incentives
- Fringe Benefit

- Perquisites
- Non-Monetary benefit

Thus wages are the total of money paid to the employee by the employer for rendering services under the contract.

### Types of Wages

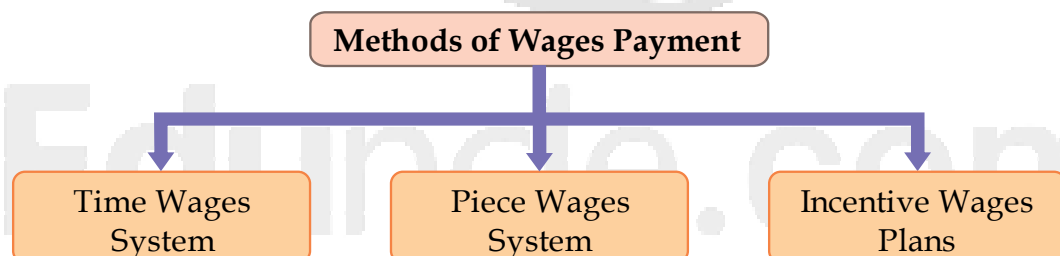
- **Subsistence Wage** : The wage that can meet only bare physical needs of a worker and his family is called subsistence wage.
- **Minimum Wage** : Minimum wage is the wage that is able to provide not only to bare physical needs but also for preservation of efficiency of worker plus some measure of education, health and other things.
- **Fair Wage** : Fair wages is an adjustable step that moves up according to the capacity of the industry to pay, and the prevailing rates of wages in the area of industry.
- **Living Wage** : Living wage is that which workers can maintain the health and decency, a measure of comfort and some insurance against the more important misfortune of lie.

In India, different Acts include different item under wages. Though all the lets includes basic wages and Dearness allowance under the item wages. E.g. under *the Workmen's Compensation Act, 1923, section 2(m)* wages for leave period, holiday, overtime pay, bonus, attendance bonus and good conduct bonus from part of wages.

### Objective of Wages and Salary

- To attract qualified personnel
- To pay employees according to the content and difficulty of the job.
- To reward employees according to the effort and merit.
- To ensure good performance, loyalty, acceptance of new responsibility and changes by good reward.
- To satisfy employee as to how and why they are paid.
- To facilitate pay roll administration, budgeting and wage and salary control.
- To use wages and salary as an incentive to greater employees productivity.
- To promote employee organizational flexibility promotion and transfer.

### Methods of Wages Payment



#### (A) Time Wages System

It is the oldest and simplest method of wage payment used extensively in the industry as well as Government departments. Wages are paid as per the time spent by the workers in the factory. The production given by them is not taken into consideration. The employer buys the hours of the workers and pays them accordingly. Time rate system is also called as day wage system or Straight Time System.

**The payment of Wages Act 1936** every person responsible for payment of wages shall fix periods known as wages period in respect of which such wages is payable. A wages period shall not exceed one month.

**Time wages may be calculated**

$$\text{Wages Earned} = \text{Time Spent (Attended)} \times \text{Wage Rate Per Hour/Day/Week/Month}$$

**Advantage**

- Time rate system is simple to understand and easy to calculate.
- Time rate system is quite useful for organizations that use costly inputs for quality outputs.
- Time rate system is beneficial for average and below workers.
- Time rate system assures regular income and creates the feeling of economic security among the workers.
- Time rate system does not discriminate the workers and is preferred by trade unions.

**Disadvantage**

- Time rate system does not help in increasing output and improving efficiency as there is no correlation between effort and reward.
- Time rate system is not justifiable between efficient and inefficient workers and skilled and unskilled workers.
- Time rate system pays for idle time, which increases the cost of production.
- Time rate system encourages a go-slow tendency among workers during working hours and encourages them to work overtime.
- It is difficult to estimate exact labor cost in advance.
- It requires strict supervision to get the required quantity of output.

**(B) Piece Rate System**

Under the piece-rate system a worker is paid for the amount of output, irrespective of the time taken. In this type of system there is no guarantee of minimum wages but a fixed rate is paid for each unit output. The production given by a worker at the end of the day is counted and payment is made accordingly.

***The Piece rate system may be calculated***

$$\text{Wages} = \text{Units Produces} \times \text{Rate Per Unit}$$

**Advantage**

- It raises the productivity of labour.
- Workers work with speed and use their capacity fully as the wage payment is directly related to the quantity of production given by a worker.
- Piece rate system encourages workers to take more interest and initiative in the work as every worker gets full reward of his efforts.
- Idle time is not paid for as in the case under the time wage system. Thus, idle time will be reduced to minimum.
- Less supervision is required because workers have the fear of not earning wages if they do not work.

- Inefficient workers are motivated to become efficient and earn more wages by producing more.
- Workers get more freedom of work and there is effective control on the cost of production in the piece rate system.

### Disadvantage

- There is no guarantee of certain minimum wage payment to a worker. It is not fair dangerous particularly to a newly recruited worker and workers who are below average.
- The quality of the output will suffer because workers will try to produce more to earn more wages. Strict supervision and inspection is necessary to ensure the quality of the goods produced.
- There may not be an effective use of material because of the efforts of workers to increase the production. Haste makes waste. Thus, there will be more wastage of materials.
- Increased production does not necessarily mean lower cost of production. Cost of production may increase due to more wastage of materials, high cost of supervision and inspection and high tools cost.
- Increased production will not reduce the labour cost per unit because the same rate will be paid for all units. On the other hand, increased production will reduce the labour cost per unit under the time wage system.
- Workers have the fear of losing wages if they are not able to work due to some reason.
- Workers may work for long hours to earn more wages, and thus, may spoil their health.
- Workers may work at a very high speed for a few days, earn good wages and then absent themselves for a few days, upsetting the uniform flow of production.
- Workers in the habit of producing quality goods will suffer because they will not get any extra remuneration for the good quality.
- The system will cause discontentment among the slower workers because they are not able to earn more wages.

### (C) Incentive Plan

A system of wages payment which would maintain both quality and quantity is called 'incentive wages plan'.

“According to the National Commission of Labour "wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person over and above the time rated remuneration, for improvements in the present or targeted results".

The **Incentives** are the monetary rewards given to the workmen in recognition of their achievement of specific results during a specified time period.

### Characteristics of Incentive Plan

- Incentive plan should be simple and easily understandable.
- Minimum wages are to all workers.



- Incentive plan should embrace all jobs which can be profitable adopted.
- Incentive plan should not be a costly affair. The benefit must exceed the costs.
- The incentive plan should take worker and union into confidence.
- Incentive plan have little gap between performance and payment.

### Types of Incentive Plans

1. Straight piece rate,
2. Taylor's Differential Piece Rate Plan
3. Differential piece rate system,
4. Merrick Differential Piece Rate System
5. Gant's task and bonus plan
6. Emerson's efficiency Plan,
7. Bededux Point Premium Plan
8. Barth Variable Sharing Plan
9. Halsey Premium Plan
10. Rowan Plan
11. Halsey Weir Premium

**1. Straight Piece Rate :** Employees paid on number of units produced bill one is guaranteed of a minimum wage since there are occasions when production doesn't take place due to unavoidable circumstances e.g. power failure shortage of material machine breakdown etc.

**2. Taylor's Differential Piece Rate Plan :** This system was introduced by F.W. Taylor. Under this system standard time for every work is determined on the basis of time and motion study. Two rates of wages are determined as high rate and low rate. The workers, who complete their work within standard time or before standard time, are paid wages according to the high rate. The workers, who complete their work in more time than standard time, are paid the wage according to lower rate.

Efficiency < 100% = wages at 80% of piece rate

Efficiency ≥ 100% = Payment is 120% of piece rate.

**3. Differential Piecework : Differential Piece-Rate System** was introduced by F.W. Taylor, who believed that the workers should be paid on the basis of their degree of efficiencies. Under this plan, standard output per hour or per day of worker is fixed. There are two piece rates. One for those who do not attain the standards fixed and the other for those who attain or exceed the standard. In the second case, the piece rate is higher.

### For Example

X Ltd operates a differential piecework system and the following weekly rates have been set.

Weekly Production	Rate of Pay Per Unit (Rs.)
1 – 1000 Units	2
1001 – 2000 Units	3
2001 – Above Units	5

**4. Merrick Differential Piece Rate System :** The Merrick Differential Piece-Rate System is a modification of Taylor's differential piece-rate system in which **three piece-rates** are used to distinguish between the beginners, the average workers, and the superior workers, against two piece-rates in Taylor's system.

(% of task)	Piece Rate wage
less than 83%	Basic Piece Rate
From 83% – 100%	110% of basic Piece Rate
Over 100%	High Piece Rate

The Merrick Differential Piece-Rate System can be illustrated by the example given below:

Standard Output = 200 units

Piece-rate = 10 paise

**Case (1) :** Output = 160 units

Efficiency =  $160/200 \times 100 = 80\%$

Since the efficiency is less than 83%, the worker is paid only the basic rate, i.e. 10 paise. Thus, earnings will be Rs 16 ( $160 \times 0.10$ ).

**Case (2) :** Output = 180 units

Efficiency =  $180/200 \times 100 = 90\%$

As the efficiency is more than 83% but less than 100 percent, 10% above the normal rate is paid to the worker. Thus,

Earnings =  $180 \times 110/100 \times 0.1 = \text{Rs } 19.8$

**Case (3) :** Output = 220 units

Efficiency =  $220/200 \times 100 = 110\%$

As the efficiency is 110%, 20% above the normal rate is paid to the worker. Thus,

Earnings =  $220 \times 120/100 \times 0.1 = \text{Rs. } 26.40$

**5. Gantt's Task and Bonus Plan :** This system is essentially a piece rate system with a guarantee of wages on time basis. It is combination time, bonus and piece rate plan.

Output	Payment
Output below standard	Time Rate (Guaranteed)
Output at standard	120 % of the Time Rate
Output above standard	High Piece Rate

The Gantt task system can be illustrated by the following example:

Rate per Hour = Rs. 0.5

High piece-rate = 0.10

Standard Output = 100 units

Time Taken = 8 hrs.

**Case (1) :** Output = 80 units

Since the output is less than the standard, the worker is entitled to only time wages, thus,

Earnings =  $8 \times 0.5 = \text{Rs. } 4$

**Case (2) :** output = 100 units

As the output is equivalent to the standard, the worker is paid the time wages plus a bonus of 20% on time wages. Thus,

Earnings:

Time Wages =  $8 \times 0.5 = \text{Rs. } 4$

Bonus =  $20/100 \times 4 = \text{Rs. } 0.8$

Total Earnings = Rs. 4.08

**Case (3) :** Output = 110 units

Since the output is more than the standard, the worker shall be paid at a high piece-rate, thus,

Earnings =  $110 \times 0.10 = \text{Rs. } 11$

**6. Emerson's Efficiency Plan :** Under this plan, a minimum time wage is guaranteed to the workers. Conditions of work are standardized and standard output is fixed which is to be completed within a specified period of time.

In Emerson's Efficiency System is calculated

Efficiency	Payment
Below 66.67%	No Bonus, Only guaranteed time wages
66.67% to 100 %	Worker is paid by hourly rate for the time he actually worker plus an increase in bonus according to degree of efficiency on the basis of step bonus rate. Bonus rate can be up to 20%.
Above 100%	120% of the time wages plus additional bonus of 1% for each 1 % increase in efficiency.

Standard output in 10 hrs = 200 units

Rate per unit = Rs. 2

**Case (1) :** Output in 10 hrs = 100 units

Efficiency =  $50\% (100/200 \times 100)$

As efficiency is below 67% the worker is entitled to only time wage. Thus,

Earnings =  $10 \times 2 = 20$ .

**Case (2) :** Output in 10 hrs = 200 units

Efficiency =  $100\% (200/200 \times 100)$

As the efficiency is 100%, then the worker is paid time wages, plus a bonus of 20% on wages earned. Thus,

Earnings:

Time Wages =  $10 \times 2 = \text{Rs. } 20$

Bonus =  $20/100 \times 20 = \text{Rs. } 4$

Total earnings = Rs. 24

**Case (3) :** Output in 10 hrs = 260 units

Efficiency =  $130\% (260/200 \times 100)$

For 100% efficiency, the worker will get a bonus of 20% on wages earned, plus one percent additional bonus for every one percent increase in efficiency, i.e. 30%. Thus, the total bonus of 50% of time wage is paid to the worker.



Earnings :

Time wages =  $10 \times 2 = \text{Rs. } 20$

Bonus =  $50/100 \times 20 = \text{Rs. } 10$

**Total Earnings = Rs. 30**

**7. Bedeaux Point Premium Plan :** Under this plan the standard time for various jobs is determined first by work study. The standard time is expressed in terms of minute which are called Bedeaux point or B's.

Wages = Actual Hours  $\times$  Hourly Rate + 75 % of BS  $\times$  Hourly Rate /60

Standard Time = 8 hrs

Rate per Hour = Rs. 1

**Case (1) :** Actual Time = 10 hrs

Earnings =  $10 \times 1 = \text{Rs. } 10$

**Case (2) :** Actual Time = 6 hrs

Earnings :

Time-wages =  $6 \times 1 = \text{Rs. } 6$

Bonus :

Standard Bs =  $60 \times 8 = 480$

Actual Bs =  $60 \times 6 = 360$

Saved Bs =  $120 (480-360)$

Bonus =  $\frac{75}{100} \times \frac{120}{60} = 1.50$

Thus, total earnings = Rs.  $6 + 1.50 = 7.50$

**8. Barth Variable Sharing Plan :** This plan is similar to the Halsey and Rowan Plan because it is also based on Standard Time.

Wages =  $\sqrt{\text{Standard hour} \times \text{Actual Hours Taken} \times \text{Per Unit Hour}}$

**9. Halsey Premium Plan :** This incentive plan was made by F.A. Halsey in 1891. Halsey Plan encourage efficiency amongst worker as well as to guarantee them wages according to time basis. If worker perform the job in less than the standard time and thus save time are rewarded with a bonus but

The worker who takes longer time than standard time he is not punished and give wages according to time wages system.

It formula is given below

**Total Wage = Taken Time  $\times$  Standard Rate + (Saved Time  $\times$  Standard Rate)  $\times$  50/100**

**Calculate the wage with incentive of a worker from following information.**

Standard time to produce units 250 hrs.

Time taken to produce the units 220 hrs.

Hour rate of wages Rs. 4 /-

Method of payment Halsey premium plan

### Solution

$$\text{Wage} = \text{Taken Time} \times \text{Standard Rate} = 220 \times 4 = \text{Rs. } 880$$

$$\begin{aligned} \text{Incentive Wage or bonus} &= \text{Time saved} \times \text{Standard Rate} \times 50\% \\ &= 30 \times 4 \times 50/100 = 60 \end{aligned}$$

$$\text{Total wage} = \text{Rs. } 880 + \text{Rs. } 60 = \text{Rs. } 940$$

**10. Rowan Plan :** This incentive wage plan was made by James Rowan in 1901. Under this plan wages according to time basis are guaranteed. Under this plan, bonus is based on that proportion of the time saved which the time taken bears to the standard time.

Formula of this plan is below.

$$\begin{aligned} \text{Total Wage} &= \text{Time taken} \times \text{standard rate} \\ &\quad + (\text{time taken} \times \text{time saved} \times \text{standard rate}) / \text{standard time} \end{aligned}$$

**Example :** A worker takes 12 hrs to complete a job to time wage and 9 hrs on a scheme of payment by result. The rate of payment is Rs. 5/- per hr. Calculate his earning if he is paid on the basis of Rowan plan.

**Solution :** By analysis, we get the following facts :

Standard time = 12 hrs.

Time taken = 9 hrs.

hourly rate = Rs. 5/-

$$\text{Wage} = \text{time taken} \times \text{standard rate} = 9 \times 5 = \text{Rs. } 45$$

$$\begin{aligned} \text{Incentive wage or bonus} &= (\text{time taken} \times \text{time saved} \times \text{standard rate}) / \text{standard time} \\ &= 9 \times 3 \times 5 / 12 = \text{Rs. } 11.25 \end{aligned}$$

$$\text{Total Wage} = 45 + 11.25 = 56.25$$

**11. Halsey - Weir Premium Plan :** This plan was made by G.T. Weir which is improvement of Halsey plan.

Its formula is given below :

$$\text{Total Wage} = \text{Taken Time} \times \text{Standard Rate} + (\text{Saved Time} \times \text{Standard Rate}) \times 30/100$$

Calculate the wage with incentive of a worker from following information.

Standard time to produce units 250 hrs.

Time taken to produce the units 220 hrs.

Hour rate of wages Rs. 4 /-

Method of payment Halsey - weir premium plan

### Solution :

$$\text{Wage} = \text{Taken Time} \times \text{Standard Rate} = 220 \times 4 = \text{Rs. } 880$$

$$\begin{aligned} \text{Incentive Wage or bonus} &= \text{Time saved} \times \text{Standard Rate} \times 30\% \\ &= 30 \times 4 \times 30/100 = 36 \end{aligned}$$

$$\text{Total wage} = \text{Rs. } 880 + \text{Rs. } 36 = \text{Rs. } 916$$

### 6.3 Fringe Benefits

The term 'Fringe Benefit' refers to the extra benefit provided to employees in addition to the normal compensation paid in terms of wages and salary."

Fringe benefits, sometimes called "*perks*," are offered by some employers to some employees, usually for the purpose of enticing highly qualified individuals to accept or maintain employment at their companies.

“ **According to the employers federation of India** "Fringe Benefit include payments for Non- Working Time, profits and bonus, legally sanctioned payments on social security's schemes, workmen's compensation, welfare cess, and the contributions made by employers under such voluntary schemes as a cater for the post of recruitment, medical, educational, cultural and recreational needs of workmen. The term also includes the Monterey equivalent of free lighting, water, fuel, etc. which are provided for workers and subsidized housing and related services.

**According to Current Relations and wages terms** has defined fringe benefit as "Supplements to wages received by workers at a cost to employers. The term encompasses a number of benefits -paid vacation, pension, health and insurance plans etc. which usually add up to something more than a fringe. "

Thus we can say that Fringe benefits refer to the extra benefits provides to the employees in addition of normal compensation paid in terms of wages or salary.

Many years ago these benefits and services were labeled Fringe benefits" because these benefits were relatively insignificant or fringe components of the compensation. But now a days the situation is not the same. Fringe benefits are now a days a great motivator to the employees.

#### **Feature of Fringe Benefit**

- They are supplementary forms of compensation.
- They are paid to all the employees (unlike incentives which are paid only to the extra ordinary performers) based on their membership in the organization.
- Fringe benefits are indirect compensation because they are extended as a condition for employment and are not directly related with the performance.
- These benefits may be statutory or voluntary. For example Provident Funds are statutory but the transportation facility is voluntary.
- These benefits help raise the living standards of the employees.

#### **Objectives of Fringe benefits :**

- To motivate the employees by identifying and satisfying their unsatisfied needs.
- To create and improve sound industrial relations.
- To protect the health of the employees and to provide safety to the employees against accidents.
- To provide security to the employees against social risks like old age benefits and maternity benefits.
- To create a sense of belongingness among employees and to retain them. Hence, fringe benefit are called golden handcuffs.
- To promote the employees' welfare
- To meet the requirements of various legislation relating to fringe benefits.

## Types of Fringe Benefit

- (i) Payment for time not worked
- (ii) Employee Securities
- (iii) Safety and Healthy
- (iv) Welfare and Recreational Services
- (v) Old Age retire benefits.

### (i) Payment for Time not Worked :

**Hour of Work :** Section 51 of the factory 1948 define no adult worker shall be required to work in a factory more than 48 hours in a week. Section 54 of the act restrict the working hours to 9 on any day. If employee gets wages without worked it is called fringe benefit.

**Paid Holiday :** According to factory act 1948 an adult worker shall have weekly paid holiday. Some organization allow the worker to have two days holiday in a week. Generally worker get salary or wages a normal rate of the salary who works during holiday.

**Shift Premium :** Companies operating second and third shifts pay a premium to the worker who are required to work during the odd hour's shift.

**Paid Vacation :** Under factory act 1948 worker who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked.

**Public Holiday :** Certain Public holiday such as Deepawali, Holi, Christmas, Independence day, jyanti etc. Employees get wages or Salary in normal rate.

**Sick Leave :** This benefit provides an employee pay for specific day when he is out of work due to illness.

**Leave of Absence :** Such as Educational leave is given to managers or management trainees during the training period.

**Employee Securities :** Employee Securities means physical and job securities to his employee. Payment of wages act 1936, the minimum wages act 1948, the payment of bonus act 1965, define securities to employee.

**(ii) Severance Pay :** This provides a one-time payment when an employee is terminated.

**Retrenchment Compensation :** The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service. The compensation is paid at the rate of 15 days wage for every completed year of service with a maximum of 45 days wage in a year.

Workers are eligible for compensation as stated above even in case of closing down of undertakings.

**Lay off Compensation :** In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

**Unemployment Insurance :** All state have unemployment insurance or compensation for benefit if a person is unable to work through unemployment benefits.

**(iii) Safety and Health :** Employee's safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect worker's capacity.

In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine urinals, and spittoons.

Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion, employment of young persons on dangerous machines, striking gear and devices for cutting off power, self-acting machines, easing of new machinery, probation of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weights, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas etc. Precautions in case of fire, power to require specifications of defective parts of test of stability, safety of buildings and machinery etc.

### **Workmans Compensation**

Workmans Compensation act 1923 the employers make payment to a worker in case of an injury or an occupational disease specific act.

The act cover the employees whose wages are less than Rs. 500 per month. It depends on the nature of the injury and monthly wages of employers.

### **Health Benefit**

Employee State Insurance Act 1948 provide various medical services like hospital, clinical and dispensary facilities'.

### **Sickness Benefit**

#### **(a) Sickness Benefit**

**Eligibility :** Payment of contribution for 78 days in corresponding Contribution Period.

**Duration and Scale of Benefits :** Up to 91 days in two consecutive Benefit Periods.

**Rate :** 70% of the average daily wages.

#### **(b) Enhanced Sickness Benefit (For Vasectomy/Tubectomy)**

**Eligibility :** Payment of contribution for 78 days in corresponding Contribution Period.

**Duration and Scale of Benefits :** 14 days for Tubectomy and 7 days for Vasectomy, extendable on medical advice.

**Rate :** 100% of the average daily wages.

#### **(c) Extended Sickness Benefit**

**Eligibility :** For 34 specified long term diseases, continuous insurable employment for two years with minimum 156 days' contribution in four consecutive Contribution Periods.

**Duration and Scale of Benefits :** 124 days during a period of two years. This may be extended upto two years on medical advice.

**Rate :** 80% of the average daily wages.



**Disablement Benefit****(a) Temporary Disablement Benefit**

**Eligibility :** From day one of entering insurable employment for disablement due to employment injury.

**Duration and Scale of Benefits :** As long as temporary disablement lasts.

**Rate :** 90% of the average daily wages approx.

**(b) Permanent Disablement Benefit**

**Eligibility :** From day one of entering insurable employment for disablement due to employment injury.

**Duration and Scale of Benefits :** For whole life.

**Rate :** For permanent total disablement - 90% of the average daily wages. For permanent partial disablement - Proportionate to the loss of earning capacity as determined by medical board.

**Dependents Benefit**

**Eligibility :** From day one of entering insurable employment in case of death due to employment injury.

**Duration and Scale of Benefits :** For life to the widow or until her re-marriage. To dependent children till the age of 25 years. To dependent parents etc. subject to conditions.

**Rate :** 90% of the average daily wages shareable in fixed proportion among all dependents.

**Maternity Benefit**

**Eligibility :** Payment of contribution of 70 days in two preceding Contribution Periods.

**Duration and Scale of Benefits :** Up to 26 weeks in case of confinement. Up to 6 weeks in case of miscarriage. Extendable by 1 Month on medical advice in case of Sickness arising out of Pregnancy, Confinement, Miscarriage.

**Rate :** 100% of the average daily wages.

**Medical Benefit**

**Eligibility :** 'Reasonable medical care' for self and family from day one of entering insurable employment.

**Duration and Scale of Benefits :** Reasonable medical care till he/she remains in insurable employment.

Medical Benefit under the ESI Scheme has now been extended to the widow/spouses of deceased/retired/superannuated Insured Persons as well as to the widow/spouses of Insured Persons who ceases to be in an insurable employment on account of Permanent Disablement, and also to widows of Insured Persons who are in receipt of Dependents' Benefit.

**Other Benefits****(a) Confinement Expenses :**

**Eligibility :** An Insured Woman or an I.P. in respect of his wife is eligible if confinement occurs at a place where necessary medical facilities under ESI Scheme are not available.

**Duration and Scale of Benefits :** Up to two confinements only.

**Rate :** ₹ 5000/- per case.

**(b) Funeral Expenses :**

**Eligibility :** From day one of entering insurable employment.

**Duration and Scale of Benefits :** For defraying expenses on the funeral of an Insured Person.

**Rate :** Actual expenses subject to a maximum of ₹ 10000/- .

**(c) Vocational Training :**

**Eligibility :** In case of physical disablement due to employment injury.

**Duration and Scale of Benefits :** As long as vocational training lasts.

**Rate :** Actual fee charged or ₹123/- a day, whichever is higher.

**(d) Physical Rehabilitation :**

**Eligibility :** In case of physical disablement due to employment injury.

**Duration and Scale of Benefits :** As long as a person is admitted in an artificial limb centre.

**Rate :** 100% of the average daily wages.

**(e) Unemployment Allowance : Rajiv Gandhi Shramik Kalyan Yojana (RGSKY)**

**Eligibility :** In case of involuntarily loss of employment due to closure of factory, retrenchment or permanent invalidity due to non-employment injury and the contribution in respect of him have been paid/payable for a minimum of three years prior to the loss of employment.

**Duration and Scale of Benefits :** Maximum twelve months during life time.

**Rate :** 50% of the last average daily wages. & thereafter@25%from 13 to 24 months.

**(f) Skill Up gradation Training under RGSKY :**

**Eligibility :** In case of involuntarily loss of employment due to closure of factory, retrenchment or permanent invalidity due to non-employment injury and the contribution in respect of him have been paid/ payable for a minimum of three years prior to the loss of employment.

**Duration and Scale of Benefits :** For a duration of maximum 6 months

**Voluntary Arrangement**

Many Organization provide health service cover and legal requirement to their employees. Which is given free of cost by setting up hospitals, clinic and dispensaries.

**(iv) Welfare and Recreational Services :**

- Canteens
- Customers Services
- Credit Societies
- Housing
- Transportation
- Legal Aid
- Employee Counseling
- Educational Facilities
- Welfare Works
- Parities and Picnic

- Eating Facility
- Social and Cultural Programme
- Miscellaneous

**(v) Old Age and Retirement Benefit :**

**Provident Fund :** The Employee's Provident Fund Act and Family Pension Fund and Deposit Linked Insurance Act, make provision of Provident Fund for employees in factories which assists employers during post retirement life.

**Pension :** Employees Family Pension scheme 1971 provide for a family pension to the family.

**Deposit Linked Insurance :** This scheme was introduced in 1976 under the P.F. Act 1952. It provide that if a member of the employee provident fund dies during service.

**Gratuity :** The payment of Gratuity act 1972 is applicable for reward to an employee for his long services with his present firms.

**Medical Benefit :** Some organization provides medical benefit to their employees and their family members.

#### **6.4 Morale and Productivity**

Morale refers to esprit de corps a feeling of enthusiasm, zeal, confidence in individuals or groups that they will be able to cope with task assigned to them. It is mental conditions or attitude of an individual and groups which determined their willingness to cooperate.

When employee faces frustrations, disappointments, discontent, grudges, it signifies that people have low morale. But when there is lower rate of labour turnover and absenteeism and employee achieve the goals with happiness it is single of high employee morale.

**“ According to Davis** *"organizational morale is basically a mental condition of groups and individuals which determined their attitude"*

**According to Blackmanship** *"Morale is feeling togetherness. There is sense of indemnification with an interest in the element of one job, working conditions, fellow - workers, supervisor, employer and the company."*

**According to Michael J. Jucius** *"Without doubt, organizational co-operation and conflict are significantly affected by employee morale."*

**According to Leighton,** *"Morale is the capacity of a group of people to pull together persistently and consistently in pursuit of a common purpose"*.

**According to Flippo** *"Morale is a mental condition or attitudes of individuals and groups which determine their willingness to co-operate. Good morale is evidenced by employee enthusiasm, voluntary conformance with regulation and orders and a willingness, to cooperate with others in the accomplishment of an organization's objectives. Poor morale is evidenced by surliness, insubordination, a feeling of discouragement and dislike of the job, company and associates. "*

Thus we can say that morale is a state of mind and spirit, affecting willingness to work which in turn affects organizational and individual objectives. Morale may range to very high to very low. It is not absolute but is subject to change, depending upon management's plans and practices.

### Characteristics of Morale

- Morale is basically a psychological concept
- Morale is intangible therefore it is very difficult to measure the degree of morale accurately
- Morale is contagious in the sense that people learn from each other
- Morale is dynamic in nature. It cannot be developed overnight. Managers have to make continuous efforts to build and maintain high morale.
- It is a long-term concept.
- Morale is group phenomenon consisting of a pattern of attitudes. It is the sum total of employees' attitudes, feelings and sentiments.
- Morale is a long term project and cannot be achieved with the help of short term devices.
- Morale is a degree of enthusiasm or zeal along with willingness of persons towards contributing their efforts to achieving goals.
- Morale is a relative term it may be high or low.
- Morale is intangible.
- Morale influences human behavior and performance.

### Importance of Morale

- Higher performance.
- Better quality of work.
- Low absenteeism.
- Good discipline.
- Fewer industrial accidents.
- Stability and growth of the organization.

### Factors Determining Morale

- **Confidence in Leadership** : If the leader of the organization is able to win the confidence of the employees, morale will be high. For employees, the leader being mentioned is the immediate supervisor/superior. If the leader is systematic, fair, honest, helpful and friendly, he may win over the confidence of his subordinates and boost their morale.
- **Job Satisfaction** : The morale of the employee would be high if he is satisfied with his job. Hence right men should be placed in the right job to boost up their morale in their jobs.
- **Confidence in Co-Workers** : Man is a social being and he finds himself more enthusiastic in the company of others. If he finds that his companions or fellow workers are co-operating with him, his morale would be high.
- **Sound and Efficient Organization** : Sound and effective organization is an important factor affecting the employee's morale. At the same time, the chance of communication should be effective and the personal problems of the employee should be heard and redressed as quickly as possible.

- **Fair Remuneration** : Fair and reasonable remuneration is essential to secure enthusiasm and willingness of the workers to do the job. The wages should be comparable with those paid in similar concerns. Besides, monetary incentives should be provided to them as and when necessary and possible.
- **Security of Job** : If the employee feels secured, they will be willing and co-operative to do the job allotted to them.
- **Opportunity to Rise** : The employees should also be made to realise that if they work properly, they will be promoted and adequately rewarded. This feeling of recognition will definitely boost their morale.
- **Working Conditions** : The conditions of work at which the employees are required to work also affect their morale. Providing safety measures, hygienic facilities, clean workplace etc. give them satisfaction and boost their morale.
- **Physical and Mental Health** : An employee with weak health cannot be co-operative and willing to work. Similarly his mental strain shall also reduce his motivation of morale. Both physical and mental illness are detrimental to an individual's work and thereby the organisational output.

### Types of Morale

**(a) High Morale** : High morale implies determination at work- an essential in achievement of management objectives. High morale results in:

- A keen teamwork on part of the employees.
- Organizational Commitment and a sense of belongingness in the employees mind.
- Immediate conflict identification and resolution.
- Healthy and safe work environment.
- Effective communication in the organization.
- Increase in productivity.
- Greater motivation.

**(b) Low Morale** : Low morale has following features :

- Greater grievances and conflicts in organization.
- High rate of employee absenteeism and turnover.
- Dissatisfaction with the superiors and employers.
- Poor working conditions.
- Employees frustration.
- Decrease in productivity.
- Lack of motivation.

### Morale and Productivity

**Theo Haimann** has definition the relationship of morale and productivity in this way- "it has been assumed that high morale is automatically accompanied by high productivity."

One of the most unpredictable effects of the level of morale is its impact upon employees' productivity. The reviews of the research studies do not show a direct relationship between morale and productivity. Productivity sometimes is high with high morale, but at other times may be low even when morale is high, and vice versa. There can be four combinations of morale and productivity.



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	Productivity

**Fig. : Morale and Productivity**

**1. High Morale-High Productivity :** High morale reflects a predisposition to be more productive if proper leadership is provided. This situation is likely to occur when employees are motivated to achieve high performance standards through financial and non-financial rewards.

**2. High Morale-Low Productivity :** The situation arises when employees spend their time and energy in satisfying their personal objectives unrelated to the company's goals. Faulty machinery, lack of training, ineffective supervision and restrictive norms of informal groups can also lead to low productivity on the part of employees with high morale.

**3. Low Morale-High Productivity :** Low morale cannot result in high productivity for a long period. However, this situation can occur for a temporary period due to fear of loss of job, exceptionally good supervision and machine paced work in which only a part of employees' capabilities are used.

**4. Low Morale-Low Productivity :** This is a normal relationship. In the long run low morale is likely to result in low productivity. Thus, there is a complex relationship between morale and productivity. This is because morale is only one of the factors influencing productivity

### 6.5 Job Analysis

Job Analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgments are made about data collected on a job.

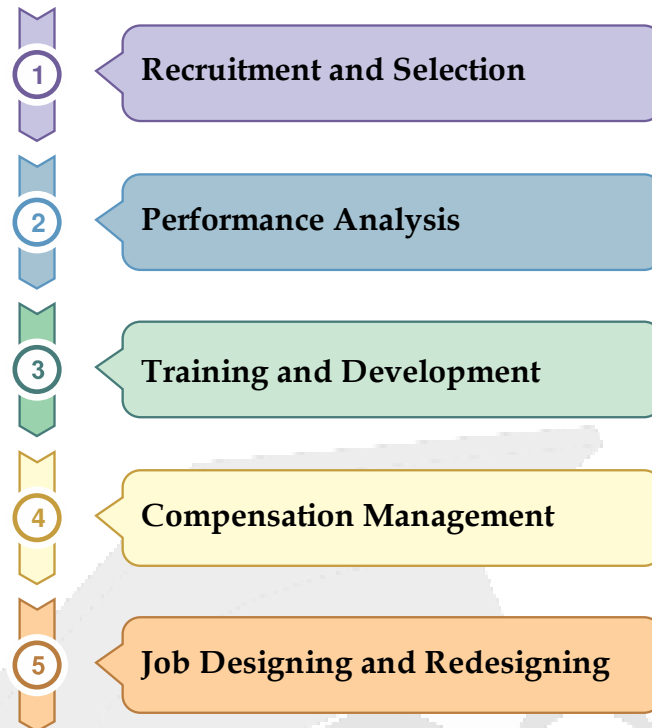
Job analysis is a procedure through which you determine the duties and responsibilities, nature of the jobs and finally to decide qualifications, skills and knowledge to be required for an employee to perform particular job. Job analysis helps to understand what tasks are important and how they are carried on.

“ **According to Michael Jucius** "Job analysis refers to the process of gathering information about the operations, duties and organizational aspects of jobs in order to write up specification or job descriptions"

**According to Edwin B. Flippo** "Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job"

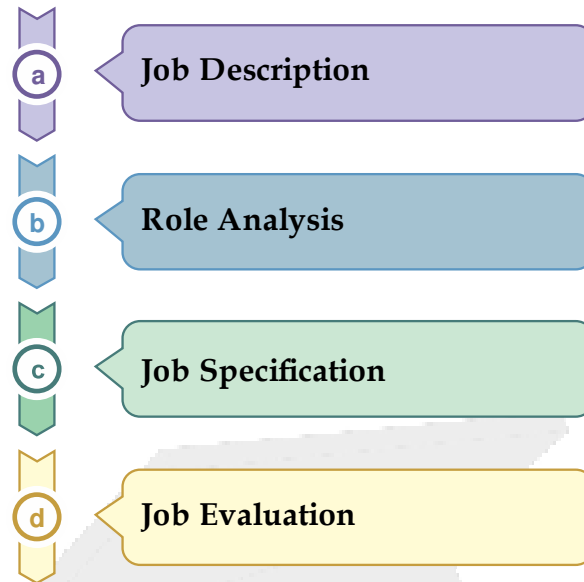
Thus we can say that Job analysis is a formal programme which examines the tasks, duties and responsibilities contained in an individual unit of work. **Job Analysis** plays an important role in recruitment and selection, job evaluation, performance appraisal, compensation management and job designing and redesigning.

## Purpose of Job Analysis



- **Recruitment and Selection :** Job Analysis helps in determining what kind of person is required to perform a particular job. It points out the educational qualifications, level of experience and technical, physical, emotional and personal skills required to carry out a job in desired fashion. The objective is to fit a right person at a right place.
- **Performance Analysis :** Job analysis is done to check if goals and objectives of a particular job are met or not. It helps in deciding the performance standards, evaluation criteria and individual's output. On this basis, the overall performance of an employee is measured and he or she is appraised accordingly.
- **Training and Development :** Job Analysis can be used to assess the training and development needs of employees. The difference between the expected and actual output determines the level of training that need to be imparted to employees. It also helps in deciding the training content, tools and equipments to be used to conduct training and methods of training.
- **Compensation Management :** Job analysis plays a vital role in deciding the pay packages and extra perks and benefits and fixed and variable incentives of employees. After all, the pay package depends on the position, job title and duties and responsibilities involved in a job. The process guides HR managers in deciding the worth of an employee for a particular job opening.
- **Job Designing and Redesigning :** The main purpose of job analysis is to streamline the human efforts and get the best possible output. It helps in designing, redesigning, enriching, evaluating and also cutting back and adding the extra responsibilities in a particular job. This is done to enhance the employee satisfaction while increasing the human output.

## Components of Job Analysis



**(a) Job Description :** It is a systematic summary of job facts it is a written statement which provide information as to the scope of activities, position of the job and the responsibilities. It gives the employees a very clear picture of what is required of him to meet the goals of his job. It is descriptive nature which define purpose and scope of a job .

### Content of Job Description

- **Job Classification :** This includes title of the job, alternate title if any, job code, division or department etc. The title of the job designates the job properly and division or department indicates which department and location does the employee work.
- **Job Summary :** It serves two purposes here; one is that when the Job Title is not sufficient it gives additional information on the job. Secondly it gives more descriptive information about the particular job.
- **Duties and Responsibilities :** This lists out the entire duties and responsibilities of a particular job. Sometimes duties and responsibilities are also listed for particular skills and their incidence of occurrence.
- **Relation to Other Jobs :** This gives the employees a fair amount of picture as to the hierarchy of the position. Like to whom they are reporting: senior, junior, etc.
- **Working Conditions :** It includes the physical environment of the job.
- **Social Environment :** It specifies the social conditions in term of size of work group, interpersonal, interactions required to perform the job.

Job analyst writes job description in consultations with the workers and supervisors. After writing draft job description, comments and criticism are invited to improve its content. Final draft is then prepared. Job description is written either by making personal observation or using questionnaire to collect relevant information from supervisors and workers. Job description should be reviewed from time to time.

**(b) Role Analysis :** Role analysis is total pattern of expected behavior which includes interactions and sentiments of the job holder.

**(c) Job Specification :** Job Specification is a written record of physical, mental, social, psychological and behavioral characteristics. It specifies the qualities required in a job incumbent for the effective performance of the job. Job Specification is usually a statement which consists of qualification, characteristics, traits etc. for an employee to possess to perform his duties.

The job Specification is a major tool in a staffing process which also helpful in training and appraisal of employees.

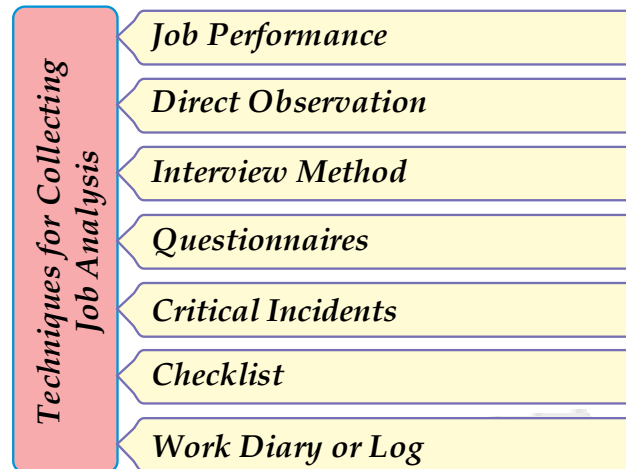
The following are the contents of Job Specification :

- **Physical Qualifications :** These qualifications or specifications vary from job to job. Physical Qualifications are nothing but the capabilities of employees. These include height, weight, hearing, vision, capacity to handle machines etc.
- **Mental Qualifications :** This includes the ability to interpret data, calculations, planning, general knowledge, judgment, memory etc.
- **Social and Emotional Specifications :** This is vital for the role of Managers and Supervisors. It includes emotional constancy and elasticity. It also includes the way they dress, personality and relationship.
- **Behavioral Qualifications :** This qualification is very important in selecting employees for higher levels of management. This specification asks to depict the acts of the managers rather than traits which cause those acts. This includes creativity, research, maturity level, dominance etc.

**(d) Job Evaluation :** It is a process of determining the relative worth of a job. It is a process which is helpful even for framing compensation plans by the personnel manager. Job evaluation as a process is advantageous to a company in many ways :

- **Reduction in Inequalities in Salary Structure :** It is found that people and their motivation is dependent upon how well they are being paid. Therefore the main objective of job evaluation is to have external and internal consistency in salary structure so that inequalities in salaries are reduced.
- **Specialization :** Because of division of labour and thereby specialization, a large number of enterprises have got hundred jobs and many employees to perform them. Therefore, an attempt should be made to define a job and thereby fix salaries for it. This is possible only through job evaluation.
- **Helps in Selection of Employees :** The job evaluation information can be helpful at the time of selection of candidates. The factors that are determined for job evaluation can be taken into account while selecting the employees.
- **Harmonious Relationship between Employees and Manager :** Through job evaluation, harmonious and congenial relations can be maintained between employees and management, so that all kinds of salaries controversies can be minimized.
- **Standardization :** The process of determining the salary differentials for different jobs become standardized through job evaluation. This helps in bringing uniformity into salary structure.
- **Relevance of New Jobs :** Through job evaluation, one can understand the relative value of new jobs in a concern.

## Techniques for Collecting Job Analysis



**(a) Job Performance :** Job Performance method is analyst actual job performance with actual task and physical and social demands of the job. It is time consuming method and is not appropriate.

**(b) Direct Observation :** In this method the job analyst observes the employees work and records all the tasks that are performed and also those that are not performed and fulfilled and un-fulfilled responsibilities and duties, methods, ways and skills used by him or her to perform various duties and his or her mental or emotional ability to handle challenges and risks. This method is suitable for jobs that involve manual, standardized and short job cycle activities.

**(c) Interview Method :** In this method, an employee is interviewed so that he or she comes up with their own working styles, problems faced by them, use of particular skills and techniques while performing their job and insecurities and fears about their careers.

This method helps interviewer know what exactly an employee thinks about his or her own job and responsibilities involved in it. It involves analysis of job by employee himself. In order to generate honest and true feedback or collect genuine data, questions asked during the interview should be carefully decided.

**(d) Questionnaires :** Another commonly used job analysis method is getting the questionnaires filled from employees, their superiors and managers.

Standard or prepared, questionnaires should contain the following basic information:

- The job title of the job holder;
- The job title of the job holder's manager or supervisor;
- The job titles and numbers of the staff reporting to the job holder (best recorded by means of an organization chart);
- A brief description (one or two sentences) of the overall role or purpose of the job; and
- A list of the main tasks or duties that the job holder has to carry out; as appropriate, these should specify the resources controlled, the equipment used, the contracts made and the frequency with which the tasks are carried out.

The greatest advantage of the questionnaire method is that it enables the analyst to cover a large number of job holders in the shortest possible time.



**(e) Critical Incidents :** This method is based on the job holder's past experiences on the job. They are asked to recapitulate and describe the past incidents related to their jobs. The incidents so reported by the job holders are, then, classified into various categories and analyzed in detail.

**(f) Checklist :** A checklist contains fewer subjective judgments and tends to be either yes or no variety but a questionnaire depends on the job holders to provide narrative description of the tasks, skills, knowledge, abilities, working conditions etc., involved in the performance of their job. The appearance of questionnaire and checklists is similar but the checklist is more structured than a questionnaire.

It contains a few subjective questions in the form of yes or no. The job holder is asked to tick the questions that are related to his/her job.

**(g) Work Diary or Log :** A work diary or log is an anecdotal record the employee maintains and includes frequency and timing of tasks. The employee keeps logs over an extended period. HR analyzes the logs, identifies patterns and translates them into duties and responsibilities.

The disadvantage associated with this method is that it remains incomplete because it does not give desirable data on supervisor relationship, the equipment used and working conditions prevalent at the work place.

The problems that may crop up while conducting job analysis are :

- Lack of support from the top management.
- Relying on one source and method of data collection.
- Non-trained and non-motivated job holders who are the actual source of job data.
- Distorted information/data provided by the respondents i.e., the job holders because of non-preparedness on their part.

## Steps of Job Analysis Process



## 6.6 Job Evaluation

### Concept of Job Evaluation

“*The British Institute of Management has defined job evaluation as “the process of analysis and assessment of jobs to ascertain reliably their relative worth using the assessment as the basis for a balanced wage structure.”*”

Job evaluation needs to be differentiated from job analysis and merit rating. Job analysis is the process of collecting information relating to a job in terms of duties, working conditions, supervision, etc. It provides the information for evaluating a job. Therefore, job evaluation is something more than job analysis. *Job evaluation begins with job analysis and ends up with classification of jobs according to their worth. A job cannot be evaluated unless and until it is analyzed.*

### Objectives of Job Evaluation

The objectives of job evaluation are determined in following steps:

1. To determine equitable wage differentials between different jobs in the organization.
2. To eliminate wage inequities.
3. To develop a consistent wage policy.

4. To establish a rational basis for incentive and bonus schemes.
5. To provide a framework for periodic review and revision of wage rates.
6. To provide a basis for wage negotiations with trade unions.
7. To minimize wage discrimination on the basis of age, sex, caste, religion, region etc.
8. To enable management to gauge and control payroll costs.

### Process of Evaluation

1. **Gaining Acceptance** : First of all the cooperation and support of top management, employees and the trade union should be obtained through communication and participation.
2. **Constituting Job Evaluation Committee** : It is very difficult for a single person to evaluate all jobs objectively. Therefore a committee consisting of experienced and respected representatives of management and workers and outside experts should be constituted.
3. **Selecting Jobs to be Evaluated** : Due to constraints of time and money it may not be possible to evaluate each and every job.
4. **Describing the Jobs** : A detailed written description of every job is prepared to indicate the duties and responsibilities involved in it.
5. **Selecting the Method of Evaluation** : There are several methods available for evaluating jobs.
6. **Weighing Job Factors** : A job is compared with other jobs in terms of significant factors which may be as follows :
  - (a) Skill-mental and manual
  - (b) Experience
  - (c) Efforts and initiatives
  - (d) Working conditions
  - (e) Responsibilities to be undertaken
  - (f) Supervision required
7. **Assigning Money Values** : Each job is placed in terms of its worth.
8. **Periodic Review** : A periodic review and revision of job descriptions will help to assuage the feelings of employees who believe that their work was not properly evaluated.

### Advantages of Job Evaluation

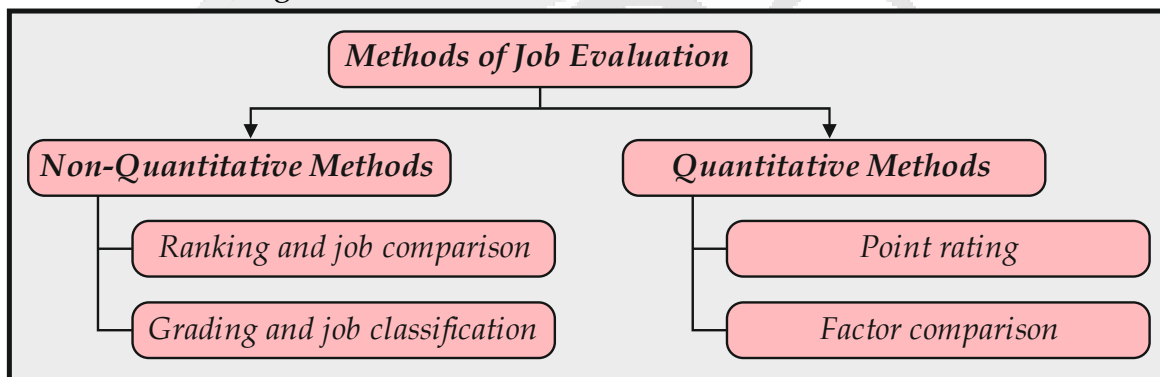
1. It is a logical and objective technique of ranking jobs and thereby removing wage inequities.
2. It helps to improve industrial relations by reducing employee doubts and grievances arising out of wages.
3. It helps in fitting new jobs at their appropriate places in the existing wage structure.
4. It provides a clear and objective basis for wage negotiations and collective bargaining
5. It simplifies wage administration by making wage rates more uniform.
6. It facilitates wage redesign by reallocating the easy and difficult tasks equally among different jobs.

### Limitations of Job Evaluation

1. It is not fully objective and scientific.
2. It fails to consider several factors which influence the value of a given job from workers 'point of view.
3. Job evaluation makes the wage and salary structure inflexible by freezing wage differentials between jobs.
4. Job evaluation is not well suited to determine the relative worth of managerial jobs.
5. Some methods of job evaluation are difficult to understand.

### Methods of Job Evaluation

The more difficult the job, the more is its worth. The scarcer the labour supply and higher the demand, the more a job is worth. The more skill, education and responsibility required in job; the more is its worth. These generalizations usually hold true for most jobs and serve as indicators of what the level of pay should be, but they are so general that they are of little use in translating specific jobs into rates of monetary compensation. Therefore, several systems of job evaluation have been developed which take into account the above mentioned factors either directly or indirectly. There are four types of job evaluation methods. These can be divided into two categories:



The first category covers the simple methods which apparently make no use of detailed job factors. But they remain in the minds of the evaluators and thus affects the results. The job is treated as a whole, and job descriptions are often utilised. But the methods under the second category use detailed analysis. Job factors are selected and measured, and job specifications are definitely given consideration.

- (i) **Ranking Method** : The job ranking method is the simplest of all methods. A committee of several executives is constituted which evaluates the *job descriptions* and ranks them in order of importance beginning with the most important job to the least important job in the organisation.
- (ii) **Job Grading or Classification Method** : This method is considered to be an improvement over ranking method in that a *predetermined scale of values* is provided. This method involves
  1. Establishing of job classes or grades
  2. Definition of each grade
  3. Classification of individual jobs according to their characteristics match with those of the different grade definitions.

*The main disadvantages of the job grading are that broad generalisations must be used in defining grades.*

- (iii) **Point Method** : This is most widely used method of job evaluation. It along with factor comparison system, involves a more detailed, quantitative and analytical approach to the measurement of job worth. *Under this method, a quantitative evaluation of different jobs in terms of various factors is made. Maximum point values are assigned to each of the factors required to be considered.*
- (iv) **Factor Comparison Method** : **Thomas E. Hitten** was the first to originate factor comparison method of job evaluation. This method determines the relative rank of the jobs to be evaluated in relation to monetary scale. It is often used for evaluating white collar, professional and managerial positions, although it is equally suitable for grading other jobs as well. In this method, five factors are generally evaluated for each job. These are comparatively fewer than the point system but are nevertheless sufficient, because each factor is defined broadly. The number of factors may be more than five also. The five factors which are customarily used are
1. Mental requirements
  2. Skills
  3. Physical requirements
  4. Responsibilities
  5. Working conditions

The evaluation of job under this method consists of following steps :

1. Select the factors and define them clearly.
2. Select the key job which would serve as standard against which all other jobs are compared. A key job is one whose content has become stabilised over a period of time and whose wage rate is considered to be presently correct by the management and the union.
3. Allocate wage for each key job to different factors.
4. Develop a job comparison scale and insert key jobs in them. When all of the key jobs have been evaluated and wages allocated in this manner, a job comparison scale can be constructed.
5. Evaluate the job in question by factor in relation to key jobs on job comparison scale. Then each job is to be evaluated and compared to other jobs in terms of each factor.
6. Design, adjust and operate the wage structure.

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